**REGULATED INFORMATION**
**PRESS RELEASE**
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# Full Year Results 2014

## Sales Revenues of USD 25,327 thousand
## Backlog as of December 31, 2014 of USD 10,378 thousand

**Ness-Ziona (Israel) – Payton Planar Magnetics (the "Company" or "Payton") today announced its financial results for the year ending December 31, 2014.**

**Sales revenues for 2014 totaled USD 25,327 thousand compared to USD 20,021 thousand on December 31, 2013. The sales in 2014 were mostly affected from a ramp up in few maturing projects.**

**The net profit for 2014 increased to reach USD 2,011 thousand from USD 113 thousand for the same period last year.**

**In the coming year (2015) Payton plan to continue the integration and improving the efficiency of Himag business activity in UK in order to maximize its added value to the Group. Furthermore, during 2015 the Group plans to continue its regular course of business and maximize the business challenge to the greatest possible extent. It will go on with its marketing efforts aiming to expand products exposure and enlarging market share. In addition, the group will continue its ongoing search for business and M&A opportunities, synergetic to its core business, in order to expand its activity.**

**Order and purchase backlog as of December 31, 2014 were USD 10,378 thousand compared to USD 9,048 thousand last year.**

## Operational highlights in 2014

The establishment of a real-estate property, centralizing the local group activities ("Payton House") was completed in September 2013. Management believes that having all facilities "under one roof" in the new building will lead to economies of scale and also offer opportunities for synergies between product lines. The Company moved two out of its three locations into the new facility in May 2013 and in September 2013 the Company completed the last phase of the transfer. During the whole year of 2014 the new facility was fully operational.

No material changes occurred during the period from January 1st to December 31st, 2014.

## Financial highlights in 2014

### Sales revenues[1]

The Group's sales revenues for year 2014 were USD 25,327 thousand compared with USD 20,021 thousand in year 2013, a significant increase of 27%. The increase in sales in 2014 was mainly as a result of the ramp up of a few maturing projects.

[1] As from January 1, 2011, according to IFRS 8, Payton's segment report is to be provided in accordance with the management approach. Following this approach the financial statements do not include information on a geographical basis.

### Cost of sales & gross result

The Group's gross results for the year ended December 31, 2014 were USD 8,581 thousand (34%), compared with USD 6,165 thousand (31%), in the year ended December 31, 2013. The increase in the gross profit relates mainly from optimizing production efficiency.

### Expenses

The Group's *General & Administrative expenses* for the year ended December 31, 2014 amounted to USD 2,979 thousand compared with USD 2,804 thousand in the year ended December 31, 2013. The increase in *General & Administrative expenses* is mostly explained by increase in maintenance cost during year 2014 of the new Payton facility and by increase in management incentives derived from the profits increase.

The Group's Selling & Marketing expenses are mainly comprised of: (1) commissions to the Group's reps' and Marketing Personnel, which are calculated as a portion of sales and of (2) other selling expenses (fixed) based on management policy. The Group's marketing efforts are concentrated through participation in major power electronic shows around the world and by collaborating with its worldwide rep's Network. Payton's Selling & Marketing expenses for the year ended December 31, 2014 amounted to USD 2,019 thousand compared with USD 1,932 thousand in the year ended December 31, 2013. Part of the sales are done directly by the company as "house" account (without a rep' assistance), which explains why the increase in these expenses is not directly proportional to the sales increase.

The Group's *development costs* for the year ended December 31, 2014 were USD 939 thousand compared with USD 913 thousand in the year ended December 31, 2013.

### Operating & financial result

The total operating profit before the financial result for 2014 amounts to USD 2,629 thousand compared to USD 41 thousand last year.

The Group's Finance expenses for the year ended December 31, 2014 amounted to USD 140 thousand compared with a finance income of USD 135 thousand in the year ended December 31, 2013. The decrease in these income resulted mainly from exchange rate differences.

### Profit before income taxes

The profit before income taxes for the financial year 2014 is USD 2,489 thousand compared to a profit of USD 176 thousand in 2013.

### Income taxes

Tax expenses for the year ended December 31, 2014 amounted to USD 478 thousand compared with USD 63 thousand for the year ended December 31, 2013. The increase in tax expenses resulted mainly from the profits increase.

### Profit for the year

The total result for financial year 2014 was a profit of USD 2,011 thousand, compared to USD 113 thousand in 2013. The Q4 2014 profit amounted to USD 836 thousand.

### Total comprehensive income for the year

The total result for financial year 2014 was a profit of USD 2,153 thousand, compared to USD 94 thousand in 2013. The Q4 2014 profit amounted to USD 1,078 thousand.

**Balance sheet – cash position**

*Cash and cash equivalents, Marketable securities held for trading and Short-term Deposits* amounted to a total of USD 15,347 thousand as at December 31, 2014 compared to USD 12,996 thousand as at December 31, 2013. It is noted that, deposits at the amount of USD 1,005 thousand, as at December 31, 2014 and USD 3,002 thousand, as at December 31, 2013, were classified as Long-term deposits, and as such presented under the non-current assets.

*Trade accounts receivable* amounted to USD 5,919 thousand as at December 31, 2014 compared to USD 4,030 thousand as at December 31, 2013. The increase in this item is explained mostly by sales volume increase in the period near the report date.

*Trade payables* amounted to USD 2,991 thousand as at December 31, 2014 compared to USD 2,351 thousand as at December 31, 2013. The increase in this item results mainly from increase in liability to sub-contractors manufacturers, explained by the increase in business activity near the report date.

*Liabilities to bank and others (Current & Non-current Liabilities)* amounted to a total of USD 2,132 thousand as at December 31, 2014 compared to USD 3,564 thousand as at December 31, 2013. As at December 31, 2014 these liabilities comprised of a 10 year bank loan in the amount of USD 1,770 thousand (out of which USD 230 thousand are presented as current liabilities) against a mortgage on the real estate property, repayable in monthly payments starting November 2012. The bank loan was taken in order to finance part of the industrial property construction costs. In December 2014, the Company used its option to make a prepayment of USD 1 million out of this loan with no penalty. Additional USD 362 thousand (out of which USD 159 thousand are presented as current liabilities) represents the contingent consideration against the purchase of Himag Solutions Ltd.

**Cash flow statement**

*Cash flows generated from operating activities* for the year ended December 31, 2014 amounted USD 2,500 thousand, compared with the cash flows generated from operating activities of USD 1,603 thousand for the year ended December 31, 2013. The increase in this cash flows resulted mainly from the profit increase, from the tax refund and from other changes in the working capital.

*Cash flows used for investing activities* in the year ended December 31, 2014 amounted USD 2,080 thousand compared with cash flows used for investing activities of USD 3,140 thousand in the year ended December 31, 2013. During the year 2014 the cash flows were used mostly for investment in short-term and long-term bank deposits.

*Cash flows used for financing activities* in the year ended December 31, 2014 amounted USD 1,496 thousand compared with cash flows used for financing activities of USD 323 thousand in the year ended December 31, 2013. In December 2014, the Company used its option to make a prepayment (with no penalty) of USD 1 million, out of the originally 10 year bank loan (taken on October 2012).

**Outlook**

Order and purchase backlog of the Group as of December 31, 2014 amounted to USD 10,378 thousand, and as of February 22, 2015 to USD 10,421 thousand (December 31, 2013 - USD 9,408 thousand). The backlog is composed of the company and its two fully owned subsidiaries firm orders. Management estimates that most of the backlog as of 31.12.14 will be supplied until the end of September 2015.

Nowadays market fluctuations are very rapid and unpredictable, therefore 2015 trend is very hard to foresee. The economy in Europe seems to keep slowing down, however, the U.S. economy is catching up.

The challenge in this global economy is to catch up increasing demands, raise productivity, address and develop new markets and to expand the group's core business.

Along with the above mentioned global fluctuations, there are additional effects in Israel, generated from large fluctuations in the exchange rates of the main currencies vis-à-vis the NIS.

Company's Management is closely monitoring all above-mentioned market fluctuations and will continue to track their developments and effects. In addition, Company’s Management is taking the necessary actions in order to cope with the situation, to the greatest extent possible.

In the coming year (2015) Payton plan to continue the integration and improving the efficiency of Himag business activity in UK in order to maximize its added value to the Group. Furthermore, during 2015 the Group plans to continue its regular course of business and maximize the business challenge to the greatest possible extent. It will go on with its marketing efforts aiming to expand products exposure and enlarging market share. In addition, the group will continue its ongoing search for business and M&A opportunities, synergetic to its core business, in order to expand its activity.

As result of the Company's conservative cash policy, management estimates that the Group is financially strong and no liquidity problems are expected in the foreseeable future.

## External risk factors

In the recent years there has been an increasing interest of conventional transformer manufacturer to get into the Planar field. We can note that there are more and more companies that are trying to design and manufacture the planar components. However, the Company believes in its technology advantage and capabilities and estimates it could generally benefit from an increasing competition in the market due to greater exposure of the technology.

The Group is exposed to erosion of the USD in relation to the NIS. Devaluation of the U.S. Dollar with relation to the local Israeli currency leads to an increase in the Group's labor costs. Most of the Group's salaries and other operating costs are fixed in the local NIS. Fluctuation of the U.S. Dollar with relation to the NIS has an influence on the operating results of the Company.

Other changes in external factors that may affect Payton's results are related to metals prices fluctuations especially copper, steel, tin and silver, which are part of the transformers bill of materials.

### Independent Auditors' Report – 26 February 2015

The selected consolidated financial data are derived from the Audited Financial Statement of the Company as of and for each of the years in the two years period ended December 31.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB") and the requirements of Israeli law.

The results have been audited by Somekh Chaikin, Certified Public Accountants, a member firm of KPMG International. The conclusion of the auditor is as follows: *"In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards."*

### Statement by senior management in accordance with Royal Decree of 14 November 2007

Pursuant to article 13 § 2,3 of the Royal Decree of 14 November 2007, David Yativ Chairman of the Board of Directors declares, on behalf of and for the account of Payton Planar Magnetics that, as far as is known to him,

a) the financial statements at 31 December 2014 are drawn up in accordance with IFRS-reporting as adopted by the European Union and present a true and fair view of the equity, financial situation and results of the company

b) the report gives a true and fair view of the main events of the financial year, their impact on the financial statements, the main risk factors and uncertainties, as well as the main transactions with related parties and their possible impact on the financial statements.

The complete audited financial statements and the annual report are available for downloading in the investors section of [www.paytongroup.com](http://www.paytongroup.com)

## Key financial figures – Payton Planar Magnetics Ltd.

### Consolidated Statements of Comprehensive Income
- audited -

| | 12 months ended December 31 | |
|---|---|---|
| | **USD 000** | USD 000 |
| | **2014** | 2013 |
| Sales revenues | **25,327** | 20,021 |
| Cost of sales | **(16,746)** | (13,856) |
| **Gross result** | **8,581** | 6,165 |
| Development costs | **(939)** | (913) |
| Selling and marketing expenses | **(2,019)** | (1,932) |
| General and administrative expenses | **(2,979)** | (2,804) |
| Other income (expenses) | **(15)** | (475) |
| **Operating profit** | **2,629** | 41 |
| Financial income | **131** | 261 |
| Financial expense | **(271)** | (126) |
| Financial result, net | **(140)** | 135 |
| Profit (loss) before taxes on income | **2,489** | 176 |
| Income taxes | **(478)** | (63) |
| **Profit for the year** | **2,011** | 113 |
| **Other comprehensive income (loss)** | | |
| Remeasurement of defined benefit plan | **142** | (19) |
| **Total comprehensive income for the period** | **2,153** | 94 |
| Number of shares | **17,670,775** | 17,670,775 |
| Profit per share (in USD) | **0,11** | 0,01 |

### Consolidated Balance Sheet
**- audited -**

| | **2014** | 2013 |
|---|---|---|
| | **USD 000** | USD 000 |
| **ASSETS** | | |
| Current assets | **25,516** | 21,191 |
| Non-current assets | **14,129** | 16,879 |
| **Total assets** | **39,645** | 38,070 |
| **Liabilities and shareholders' equity** | | |
| Current liabilities | **4,813** | 4,105 |
| Non-current liabilities | **2,270** | 3,556 |
| Shareholders' equity | **32,562** | 30,409 |
| **Total liabilities and shareholders' equity** | **39,645** | 38,070 |

## Current Shareholders structure

| Shareholder name | # of shares | % outstanding shares | Comments |
|---|---|---|---|
| Payton Industries Ltd. | 11,694,381 | 66.2% | Israeli company traded in the Tel Aviv stock exchange. |
| Public | 5,976,394 | 33.8% | Listed on the Euronext since June 1998 |
| Total | 17,670,775 | 100.0% | Total outstanding shares. |

## Consolidated Cash Flow Statement

| **Audited - USD thousands** | **2014** | 2013 |
|---|---|---|
| **Operating activities** | | |
| Profit for the year | **2,011** | 113 |
| Adjustments to reconcile profit to net cash generated from operating activities: | | |
| Depreciation and amortization | **1,021** | 846 |
| Income taxes | **478** | 63 |
| Capital loss on sale of fixed assets | **3** | 47 |
| Increase in employee benefits | **5** | 89 |
| Decrease (increase) in trade accounts receivable | **(1,889)** | (511) |
| Decrease (increase) in other accounts receivable | **25** | 22 |
| Decrease (increase) in inventory | **(315)** | 411 |
| Increase in trade payables | **823** | 725 |
| Increase in other payables | **172** | 24 |
| Finance expenses (income), net | **158** | (95) |
| Interest received | **102** | 124 |
| Interest paid | **(118)** | (83) |
| Changes in the fair value of contingent consideration | **12** | 222 |
| Tax paid | **(417)** | (394) |
| Tax received | **429** | - |
| **Cash flows generated from operating activities** | **2,500** | 1,603 |
| **Investing activities** | | |
| Proceeds from sale of marketable securities held for trading | **772** | 205 |
| Investment in long-term deposits | **(1,000)** | (3,000) |
| Proceeds from (investments in) short-term deposits, net | **(1,271)** | 4,693 |
| Investment in fixed assets | **(608)** | (5,048) |
| Proceeds from sale of fixed assets | **27** | 10 |
| **Cash flows generated from (used for) investing activities** | **(2,080)** | (3,140) |
| **Financing activities** | | |
| Payment of contingent consideration | **(143)** | - |
| Repayment of loan | **(1,353)** | (323) |
| **Cash flows generated from (used for) financing activities** | **(1,496)** | (323) |
| **Net decrease in cash and cash equivalents** | **(1,076)** | (1,860) |
| **Cash and cash equivalents at beginning of the year** | **5,883** | 7,684 |
| **Effect of exchange rate fluctuations on cash held** | **(115)** | 59 |
| **Cash and cash equivalents at end of the year** | **4,692** | 5,883 |

*Note:*

*This document contains certain forward-looking statements and information relating to the Company that are based on the beliefs of the Management of the Company as well as assumptions made by and information currently available to the Management of the Company. Such statements reflect the current views of the Company with respect to future events, management emphasize that the assumptions does not in any way imply commitment towards realization. The outcome of which is subject to certain risks and other factors which may be outside of the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein as projected, anticipated, believed, estimated, expected or intended.*

*Reference in this document to forward looking statement shall be by stating that such information is given by way of estimation, evaluation, assessment, intentions, expectations, beliefs and similar terms, but it is possible that such information shall be given under other phrases.*

**About us**

Payton Planar Magnetics Ltd., an Israeli-based high-tech company, designs, manufactures and markets Planetics®, its customized line of planar transformers, conventional transformers and inductors to Original Equipment Manufacturers and their suppliers of power electronics. The group currently employs 188 people (including executive officers). Planar Magnetic Components are used in end products in various industries, including Automotive Telecommunications, cellular infrastructure, welding machines, High-reliability/Avionics, portable equipment and consumer goods. Planar Magnetics is a revolutionary design technology that is superior to conventional transformers and inductors, and has already been accepted by electronics design engineers as the state-of-the-art in high frequency power electronics design. Payton Planar Magnetics is a subsidiary of Payton Industries, headquartered in Israel, and has manufacturing and marketing operations in Israel, in the United States and in the U.K. Payton Planar Magnetics is publicly traded on the Euronext stock exchange in Brussels (ticker: PAY).

For more information, please visit Payton's web site at www.paytongroup.com
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